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TOP SECRET

GENERAL

1. US suggests steps to ease German dismantling problem--
The Department of State has advised US High Commissioner McCloy in Frankfort of its desire to reduce friction with the Germans caused by dismantling. The Department adds, however, that the US: (a) will not yield to German pressure where security considerations are involved; (b) cannot go back on its agreements with the British and French on prohibited and restricted industries; and (c) is determined to avoid the implication that the US is bringing pressure on the British and French to retain plants in Germany. The Department suggests as practicable steps to reduce German irritation the discontinuance of dismantling in Berlin and limited dismantling of the Gelsenberg synthetic oil plant. (The UK has already informed the US of its desire to make a downward revision in the dismantling program, to set an early cut-off date for dismantling, and to apply pressure on the French to agree to these proposals.)

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NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S (C)

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